

Message Text

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51

ACTION XMB-04

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TO SECSTATE WASHDC 455

INFO AMEMBASSY MADRID

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: EXIMBANK FINANCING FOR STEEL MILL EQUIPMENT

PASS EXIMBANK

1. SUMMARY. A NEW FIRM FORMED BY IMPORTANT STEEL AND AUTOMOBILE INTERESTS WILL CONSTRUCT DROP FORGE PLANT IN LOGRONO, SPAIN. FROM DOLS USA 2 TO DOLS USA 4 MILLION OF TOTAL PLANNED INVESTMENT OF DOLS USA 35 MILLION COULD BE SPENT IN U.S. ON EQUIPMENT. FINANCING BY EXIMBANK WITH TERMS UP TO 6 YEARS REPAYMENT MAY BE IMPORTANT FACTOR IN EQUIPMENT PURCHASE DECISION. END SUMMARY.

2. INTERFORJA, A COMPANY CONSTITUTED IN JUNE, 1974 FOR PURPOSE OF ESTABLISHING A DROP FORGE PLANT IN LOGRONO, PLANS TO INVEST THE EQUIVALENT OF APPROXIMATELY DOLS USA 35 MILLION INCLUDING DOLS USA 10 TO DOLS USA 12 MILLION IN EQUIPMENT DOLS USA 4 MILLION OF WHICH MUST BE PURCHASED ABROAD. IMPORTED EQUIPMENT WILL CONSIST OF THREE HOT STEEL FORGING PRESSES, ONE FORGING MACHINE, SHEARS FOR USE IN COLD STEEL UP TO 6" THICKNESS, INDUCTION AN HEAT TREATMENT FURNACES, AND OTHER MACHINERY INCLUDING FORLIFT TRUCKS. COMPANY EXPECTS PURCHASES IN U.S. COULD TOTAL DOLS USA 2 MILLION AND HAS BEEN IN CONTACT WITH MINSTER MACHINE CO. AND AJAX MANUFACTURING, OHIO. HOWEVER, EARLIER DELIVERY COULD BE OBTAINED FROM COMPETITION (MASSEY IN ENGLAND) AND FINANCING ARRANGEMENT WILL BE IMPORTANT FACTOR.

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SIX-YEAR REPAYMENT TERMS MIGHT SWING DEAL TO U.S. SUPPLIERS.
COMPANY IN TOUCH WITH CLEVELAND TRUST. AND TWO REPRESENTATIVES
WILL BE IN U.S. WEEK OF JANUARY 20 WITH VISIT TO EXIMBANK
PROBABLE ON JANUARY 23 OR 24.

3. NEW COMPANY INITIALLY CAPITALIZED AT ONE MILLION PESETAS
(ABOUT DOLS USA 18,000) EXPECTS CAPITAL TO REACH 400 MILLION PESETAS
(ABOUT DOLS USA 70 MILLION) BEFORE PLANNED COMPLETION OF PLANT (END
OF 1976). MAJOR SHAREHOLDERS NOW INCLUDE INTERHOLDING CO.(A
FINANCIAL HOLDING COMPANY ASSOCIATED WITH BANCO HISPANO AMERICANO)
S.A. ECHEVARRIA (WITH ASSETS VALUED AT DOLS USA100 MILLION AND
EXPERIENCE IN STEEL MAKING SINCE 1920) AND RENAULT. PRODINSA, ANOTHER
FINANCIAL HOLDING COMPANY ASSOCIATED WITH BANK OF MADRID, ALSO
SAID TO BE A FUTURE PARTICIPANT IN COMPANY. PRODUCTION
WILL INITIALLY BE FOR AUTO INDUSTRY WITH DIVERSIFICATION LATER.

4. COMPANY CONTACT IN ARTURO URGOITI ABASCAL,S.A. ECHEVARRIA,
APARTADO 46, BILBAO, SPAIN. MR. URGOITI WILL BE IN THE UNITED
STATES IN CONNECTION WITH POSSIBLE PURCHASE OF EQUIPMENT FOR
INTERFORJA UNTIL JANUARY 27.
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